

Your Guide to the . . .

Electronic Funds Transfer Program



Serving the People of Washington



***WELCOME TO THE ELECTRONIC FUNDS TRANSFER
(EFT) PROGRAM***

The Washington State Department of Revenue Electronic Funds Transfer (EFT) program involves the transfer of funds, by means other than a transaction originated by check, draft or similar paper instrument. The transactions are initiated by the taxpayer by electronic means. A financial institution (bank) is then authorized to debit or credit an account.

In 1990, the Legislature enacted Engrossed Substitute House Bill No. 2344. This law directed the Department of Revenue to begin implementing EFT payments in January 1991. The legislation was in response to a recommendation made by the Washington Commission on Efficiency and Accountability. Washington Administrative Code (WAC) 458-20-22802 requires taxpayers with annual taxes due of \$240,000 or more to pay taxes by EFT. Other taxpayers may use EFT on a voluntary basis with approval of the Department. A provision was also included offering taxpayers the option of receiving electronic refunds. The EFT program only affects taxes reported on the Combined Excise Tax Return.

The purpose of this booklet is to assist you in choosing the EFT option that best serves you. Explanations of each payment option, frequently asked questions, and definitions of terms are included.

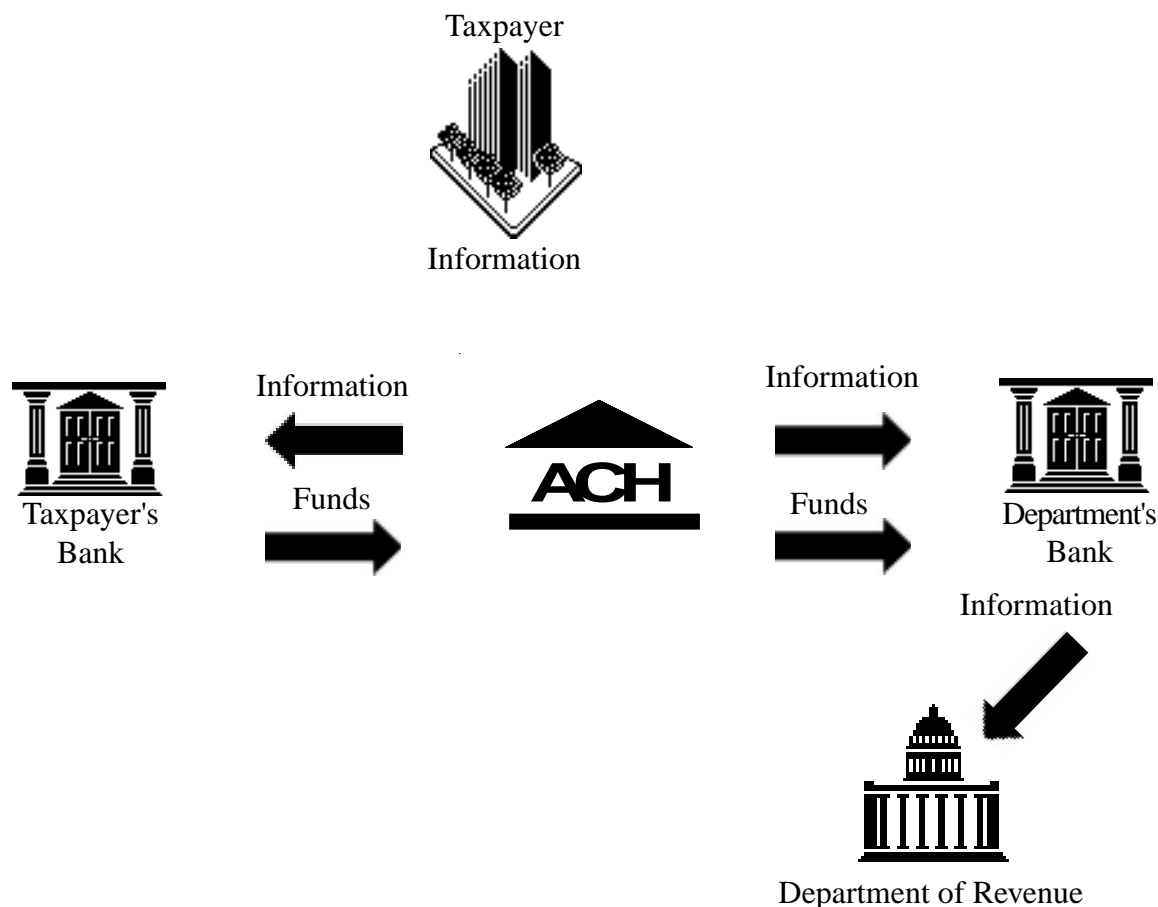
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ACH Debit

Automated Clearing House (ACH) debit operates like a “pay-by-phone” transaction that authorizes the Department’s bank to withdraw specific funds from the taxpayer’s account and deposit them in the Department’s account. Each month the taxpayer initiates and authorizes the payment amount and date of withdrawal.



INFORMATION CONCERNING THE ACH DEBIT OPTION:

COST

By using the ACH debit option there is no additional cost to the taxpayer. No special equipment is required. You are provided a toll-free number to call to initiate your monthly transaction.

SERVICE ACCESS KEY

The service access key is comprised of a Department of Revenue ID number, unique bank location number and password. The bank location number is assigned by the Department and a password is assigned by the Department's bank. Only you and the bank have access to the password. This ensures withdrawals from your account can only be made by authorized personnel.

TRANSMISSION METHOD

ACH debit allows you to choose your preferred method of transmission. The four choices are Terminal, Touch-tone, Voice, and Electronic Filing (ELF).

- Terminal:** This requires a personal computer (PC) with a phone modem. The PC program prompts you for the information needed to complete the transaction. Modem speeds used include 1200, 2400, 9600 and 14,400 baud. For those choosing this method, the Department's bank will send you additional information.
- Touch-tone:** Using your touch-tone phone key pad, you enter the information as prompted by the recording. Please note that your in-house phone system may affect the use of * and # keys when using a touch-tone phone.
- Voice:** An operator answers the toll-free number and you provide the information verbally.
Note: The operator will not be able to answer any questions you may have. Please contact an EFT representative with your questions.
- Electronic Filing:** Electronic Filing (ELF) is an Internet-based application that allows your business to file and pay your Washington State excise taxes via the Internet.

WAREHOUSING YOUR PAYMENT

The ACH debit option allows you to initiate your payment **anytime** during the month and “warehouse” it until an effective date designated by you. In other words, “warehouse” means you may set an effective date in the future. The funds are not withdrawn from your account until the date you have specified as the effective date of the transaction.

EXAMPLE: You call the ACH Network on January 14th to initiate a transaction for your December Excise Tax Return payment. At that time, you can set the effective date (the date that funds will be withdrawn from your account) for any future date (except weekends and banking holidays) through the payment due date of January 26th.

PAYMENT VERIFICATION

The EFT system has a way to verify the payment amount you initiate is the correct amount. Prior to placing your call, you calculate a check digit. The calculation is the sum of the number of digits (including cents) plus the value of all the digits.

EXAMPLE: If your total tax payment is \$5,065.00, your check digit is calculated:

The number of digits	6 (5,0,6,5,0,0)
plus the value of these digits	<u>16</u> (5+0+6+5+0+0)
The check digit	22

After you enter your tax payment amount, the system will calculate a check digit. The system's check digit should match yours. The instructions that you will receive from the Department's bank will include a section on how to make a correction if the check digit does not match.

PAYMENT DEADLINE

You must call the toll-free ACH Network number and complete the payment transaction no later than 5:00 p.m. Pacific Time on the day before your payment is due. If the transaction is completed after 5:00 p.m., the payment will be late. You cannot set the effective date for the same day you are initiating a transaction. Remember you are able to “warehouse” your payment. For more information, see above.

TRANSACTION VERIFICATION

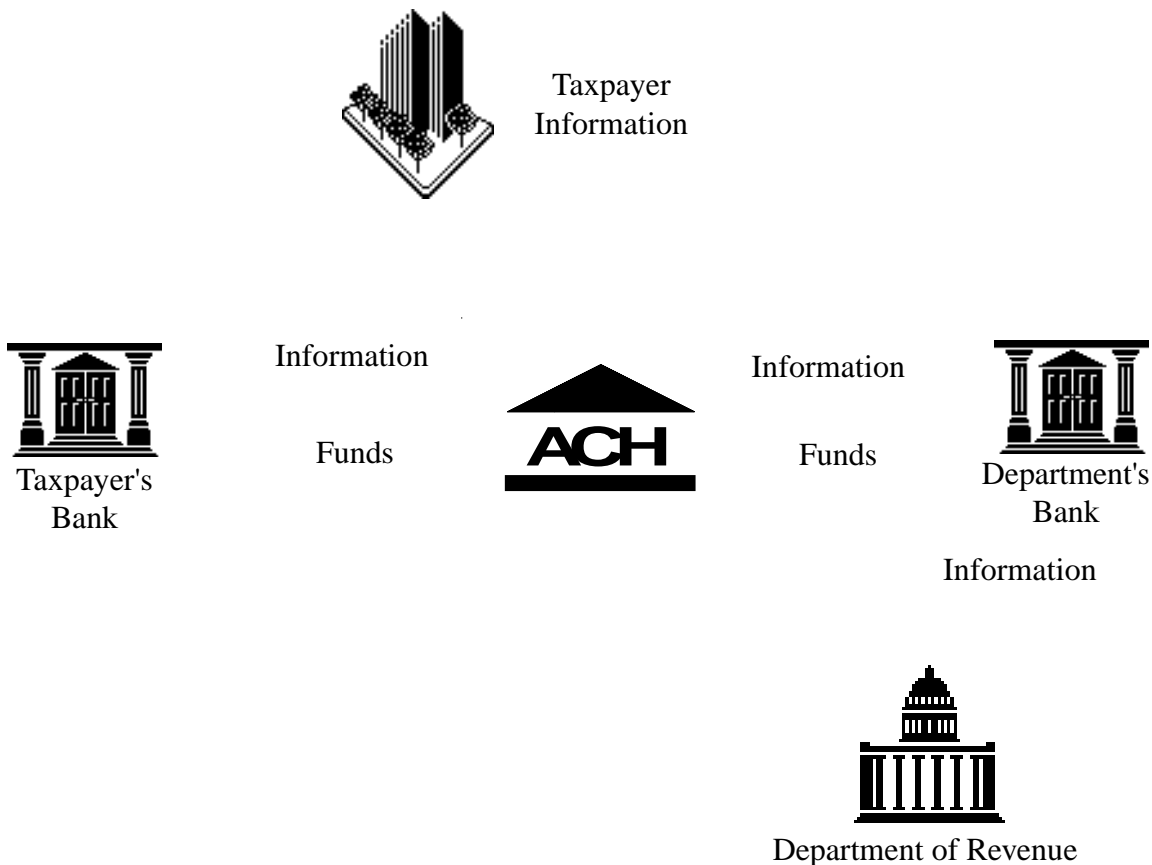
After your transaction is complete, you receive a verification (trace) number from the ACH Network. You should retain the verification (trace) number and the date you called in your transaction for your records. This information is used in the event your payment must be traced.

If you choose to use the ACH debit option you will receive instructions from the Department's bank on how to initiate a transaction. Included in your instructions will be your service access key. In order to receive the instructions, an authorization form needs to be completed and returned to the Department. This form is included in your packet.



ACH Credit

Automated Clearing House (ACH) credit is a transaction in which the taxpayer authorizes its bank to send funds to the Department's account.



INFORMATION CONCERNING THE ACH CREDIT OPTION:

As the ACH credit transaction requires that supplemental information be sent along with the payment, a special format has been created. This format is called a tax payment addendum convention or TXP record. Please see example on page 6. The TXP record has been approved by the National Automated Clearing House Association (NACHA) and thus is widely used by states that accept ACH credit transactions.

If you choose to use the ACH credit option, please complete an authorization form and return it to the Department. This form is included in your packet. As a reminder, certain fields of your ACH transaction change every month. You will need to change the tax period and payment amount each time you enter a payment transaction.

Prior to choosing this option, you must verify with your bank their ability to initiate ACH credit transactions. If your bank cannot send an ACH credit transaction, please contact an EFT representative at the Department of Revenue.

COST/RESPONSIBILITY

This transfer is initiated by you through your bank, thus you and your bank assume the responsibility of being the ACH originator. By using this option there may be set up and/or monthly costs involved, depending on the bank you use.

PAYMENT DEADLINE

You are responsible for contacting your bank to ensure funds are deposited in the Department's bank no later than 5:00 p.m. Pacific Time on the payment due date. As each bank has their own guidelines for payments, you will be responsible for determining payment initiation deadlines.

If funds have not been deposited to the Department's bank account by the payment due date, late payment penalty will be assessed.

TRANSACTION VERIFICATION

After your transaction is complete, you will receive a verification (trace) number from the ACH Network. You should retain the verification (trace) number for your records. This number is used in the event your payment must be traced.

REQUIREMENTS

Supplemental filing information must be sent with the funds transfer. To ensure that your account is properly credited, your bank needs to use the Cash Concentration or Disbursement Plus (CCD+) with TXP format in the addenda record. This includes identification of the taxpayer (registration number), reporting frequency, type of tax being paid, tax period covered, amount of the remittance, etc.

EXAMPLE OF AN ADDENDA (TXP) LAYOUT

Taxpayer ID #

#####

(9-digit Registration/Reporting Number)

Reporting Frequency

Q3

(01 - 12 for Monthly;
Q1 - Q4 for Quarterly;
or AA for Annual)

Tax Type

04101

Tax Period End Date (YYMMDD)

XX0930 (September 30, 20XX)

Amount Type

T (Tax)

Amount

1100100 (\$11,001.00)

Segment Terminator

\ (Back Slash)

Layout appears as follows:

705TXP*600#####Q3*04101*XX0930*T*1100100

ADDENDA RECORD

<u>Item#</u>	<u>Field Name</u>	<u>Contents</u>	<u>Length (Bytes)</u>
1	Record Type	"7"	1
2	Addenda Type Code	"05"	2
3	Segment Identifier	"TXP"	3
4	Separator	"*"	1
5	Taxpayer Identification	"#####"	9
6	Reporting Frequency	"##"	2
7	Separator	"*"	1
8	Tax Type Code	"04101"	5
9	Separator	"*"	1
10	Tax Period End Date	"YYMMDD"	6
11	Separator	"*"	1
12	Amount Type	"T"	1

13	Separator	"*"	1
14	Amount	"\$\$\$\$\$\$\$\$CC"	Maximum 10
15	Segment Terminator	"\"	1
16	Reserved Spaces	Spaces	Variable
17	Special Addenda Sequence #	"1"	Last 4
18	Entry Detail Sequence #	"#####"	Last 7

1. Record Type

Must have a value of "7" which identifies this record as a special addenda record.

2. Addenda Type Code

Must have the value of "05" which identifies it as a special addenda applying to the "CCD" (Cash Concentration or Disbursement) entries.

3. Segment Identifier

Must have a value of "TXP" which identifies this transaction as a tax payment.

4. Separator

Must have an "*" which identifies it as a separator.

5. Taxpayer Identification

Must be your registration or reporting number. It is located in the right-hand corner of your mailing label. Use only the nine digits before the asterisk in the label.

6. Reporting Frequency

Must indicate your reporting frequency for the tax being paid. The field must be two numbers/characters. Use "01"—"12" for monthly, "Q1"—"Q4" for quarterly or "AA" for annual.

7. Separator

Must have an "*" which identifies it as a separator.

8. Tax Type Code

At this time, the only code available is "04101". This indicates it is a Washington State Combined Excise Tax Return payment.

9. Separator

Must have an "*" which identifies it as a separator.

10. Tax Period End Date

Indicates the tax period for which the payment is being made. It should always be the last day of the tax period, NOT the due date for the return. The tax period will always be six characters long. The format is Year, Month, Day (YYMMDD). For example, the September 2000 and Quarter 3, 2000 tax period **end dates** are both September 30, 2000 or **000930**.

11. Separator

Must have an "*" which identifies it as a separator.

- 12. Amount Type**
Must be a "T" to indicate that the payment is a tax payment.
- 13. Separator**
Must have an "*" which identifies it as a separator.
- 14. Amount**
Refers to the amount transferred and can be up to ten digits in length. There is no decimal point; the last two digits are always read as cents. Do not include edit characters. This field contains numeric data only. Remember the amount field is variable in length.
- 15. Segment Terminator**
Must be a "\" to identify it as terminating the information.
- 16. Reserved Spaces**
Must be filled with spaces to complete the free form area of the special addenda record through position 83.
- 17. Special Addenda Sequence Number**
Must be a "1" to indicate one special addenda record present.
- 18. Entry Detail Sequence Number**
Contains the ascending sequence number section of the entry detail record's trace number. This number is the same as the last 7 digits or the trace number field of the associated entry detail record.

This completes the formats for an ACH Credit CCD+ transaction. If you have any questions regarding these changes or formats, please refer to the NACHA rule book, your financial institution or the Department of Revenue at (360) 902-7170.

****ACH Credit Information****

Revenue's Bank: US Bank of Washington
Government Banking Department
1420 Fifth Avenue, Suite 600
Seattle, Washington 98101

Transit Routing Number: 125000105
DOR Account Number: 153501701202



Administrative Issues

DUE DATES - WEEKENDS AND HOLIDAYS

The payment is due on the next banking day after the tax return's due date. If the normal payment due date falls on Saturday, Sunday or a holiday, the payment is due on the next banking day. Banking holidays are those recognized by the Federal Reserve System in the state of Washington. A list of the holidays is shown below. An annual schedule of actual due dates is available from the Department for your reference.

EXAMPLE: The return's due date is December 25th. Assume December 25th, Christmas, falls on a Friday. The next banking day would be Monday, December 28th, and the new return due date. The date the funds must be received by the Department would be December 29th. For the ACH debit option, the latest you can complete your transaction is by 5:00 p.m. Pacific Time, on December 28th. For the ACH credit option, please follow your bank's guidelines.

SEATTLE FEDERAL RESERVE HOLIDAYS

New Year's Day
Martin Luther King Jr. Day
President's Day
Memorial Day
Independence Day
Labor Day
Columbus' Holiday
Veterans Day
Thanksgiving Day
Christmas Day

TAX RETURN/LATE PAYMENT PENALTY

Your tax return must be postmarked on or before the due date indicated on the tax return. The tax return due date is the 25th of the month. If the 25th falls on a weekend or a holiday, the return due date becomes the next banking day.

The payment due date is the 26th of the month and only varies if a weekend or holiday intervenes. Penalties will be assessed if your payment is not received in a timely manner.

The Department may find you responsible for penalties if circumstances within your control, or the control of your bank, delay payment beyond the deadline.

In the case where delayed payment occurs and you feel you are not responsible, please contact an EFT representative. You may be asked to furnish the verification (trace) number as proof of your attempt to transfer funds timely.

You must file the tax return — the EFT payment alone does not complete the transaction.

PROOF OF PAYMENT

Proof of payment becomes an issue when a delinquent payment situation arises. When a nonpayment problem exists, we currently ask for a copy of the canceled check. With an EFT transaction you do not have a canceled check. Instead, you will have a transaction verification (trace) number. This number is used to trace the transaction. Who traces the ACH transaction depends upon whether you are an ACH debit or ACH credit user. If proof of payment is an issue, the following applies:

For ACH debit transactions, the responsibility of tracing the transaction is with the Department's bank. You need to call an EFT representative at the Department with your verification (trace) number and the date you called in the transaction. The Department's bank will trace the transaction, verify its timeliness and correct it if an error exists.

For ACH credit transactions, you need to contact your bank with your verification (trace) number. The responsibility of tracing the transaction falls with your bank. Your bank should trace the transaction, identify if and where the problem exists, and correct it if an error occurred. Your bank should inform you and you should contact an EFT representative at the Department with the pertinent information.

Penalties will be upheld or waived depending upon the trace information and the normal penalty criteria as outlined in Washington Administrative Code (WAC) 458-20-228.

As standard practice, you should keep verification (trace) numbers and bank statements showing the withdrawals from your account. **Note:** We understand most banks report ACH credit transactions as a lump sum on your bank statement. If you elect the ACH credit option and you have more than one ACH credit per banking cycle, you may want to make arrangements with your bank to give you an itemized ACH credit report.

CORRECTIONS

If you discover an error has been made in an ACH debit transaction on the same day, it may be corrected by re-calling the ACH network before the ACH deadline. Instructions for making corrections will be provided by the Department's bank if you choose the ACH debit option. For ACH credit users, please follow your bank's guidelines.

If the error is discovered after the deadline or on a subsequent day, contact an EFT representative at the Department.

REFUNDS

The EFT legislation provides for electronic refunds if you are currently paying electronically. In order to process an electronic refund, the Department needs to maintain on file your bank account number regardless of the EFT option used for payments. You must provide the information necessary to electronically credit your bank account, or waive your right to electronic refund payments. Please complete the appropriate section of the EFT authorization form if you would like electronic refunds.

CHANGES

If you decide to change your EFT payment option, or if any other information on your EFT authorization form changes, please contact an EFT representative. A new authorization form will be provided for your convenience. Your prompt notification will allow changes to be executed and your account properly credited.

EMERGENCIES

In the event of an unusual situation or emergency which prevents the successful completion of your ACH transaction, contact an EFT representative at the Department for instructions.

PRE-NOTIFICATION (PRENOTE)

A prenote is a method used to ensure that the pathway to the taxpayer's account is clear. The Department's bank handles the prenote for ACH debit users. For ACH credit users, the Department asks that you send a prenote at least 10 days prior to your first tax payment. The prenote will ensure the ACH pathway is clear and the addenda record contains complete and correct identification information. When sending the prenote, you must send a token amount such as one cent. The amount of the prenote may be taken off your next tax payment.



Answers to Common Questions

What is the difference between an ACH debit and an ACH credit?

The ACH debit option is an arrangement between you and the Department's bank. You initiate the transaction, using your service access key, specifying the amount of funds and the effective date of payment. On the effective date, the funds are withdrawn from your account and transferred to the Department's account. There is no cost to you if you choose this option.

What is the most common option chosen?

The ACH credit option is an arrangement between you and your bank. You initiate the transaction and your bank sends the funds to the Department's bank. You must check with your bank to make sure they can send ACH transactions with addenda records. There could be some set up and/or monthly costs involved.

When is the payment due?

ACH debit option is the most common option chosen.

Payment is due the first banking day (Monday through Friday) following the return due date. Normally the 26th of the month will be the payment due date for monthly accounts. Therefore, for ACH debit users, the payment transaction must be completed no later than 5:00 p.m. Pacific Time on the 25th. ACH credit users must contact their bank to find out when their transaction must be completed to be timely.

What does warehousing your payment mean?

Warehousing is the ability for ACH debit users to initiate their payment prior to the due date and make it effective for sometime in the future. **Example:** You could initiate your payment on the 10th of the month and set the effective date for the 26th. The money will not be deducted from your account until the effective date of the 26th.

In what situation does the Department accept Fedwires?

The Department will only accept Fedwires in the case of an emergency. You must contact an EFT representative and give your registration number and amount of payment prior to sending a Fedwire.

Will I receive instructions on how to initiate my payment?

If you choose the ACH debit option, you will receive instructions from the Department's bank that will include your service access key and password. The Department does not have access to your password.

What proof do I have that my transaction has been completed?

If you choose the ACH credit option, you will need to obtain instructions on how to initiate your payments from your bank. If needed, you can review the "Automated Clearing House Credit" section in this guidebook and share this information with your bank. Your bank will need the setup information and addenda record requirements.

Do I still need to send my Combined Excise Tax Return?

ACH debit users will receive a verification or trace number from the ACH Network. This number is used by the Department's bank to trace the transaction, if needed.

I want to change from the ACH credit option to the ACH debit option. What do I need to do?

ACH credit users will receive a verification number. This number is used by your bank to trace the transaction, if needed.

What taxpayers are required to pay by EFT?

Yes. The Department needs your return in order to match your payment with the liability shown on the return.

You need to contact an EFT representative for a new authorization form. After the Department receives your completed form, you will receive instructions and your service access key from the Department's bank.

All taxpayers that have an annual tax liability of \$240,000 or more are required to pay their excise taxes by EFT. Taxpayers reaching the threshold are identified once per year and notified at least three months prior to the start of their EFT payment requirement. Taxes that were due in the last complete calendar year prior to the notification date are used for determining taxpayers required to pay by EFT.

Other taxpayers may voluntarily pay by EFT after contacting the Department. The only requirement for voluntary participation is that the business must complete an authorization form.

Taxpayers falling below the mandatory threshold may choose to discontinue remitting their excise taxes electronically. Method of payment may be changed once per year. The Department should be notified of changes in order to maintain current records.

I am changing banks. What do I need to do?

You need to contact an EFT representative for a new authorization form to record the new bank account information.

Can the Department withdraw funds from my bank account without my knowledge or permission?

No. If you are an ACH debit user, only you and the Department's bank have access to your password and account. You must initiate any transaction. If you are an ACH credit user, your payments are initiated by you through your bank.

I transmitted the wrong payment amount. What do I do?

How do I find my transit routing number?

Please contact an EFT representative at the Department for instructions.

The authorization form must have your bank's transit routing and your account numbers to process EFT payments. The sample of a personal check below indicates where these numbers are located. On a business check, the check number is listed first, then the routing number, and then the account number. Check with your bank if you have any questions.

Any Taxpayer		1234
1234 Business Drive		
Seattle WA 98101		15-0000/0000
		_____ 20 _____
PAY TO THE		
ORDER OF _____		\$ <input type="text"/>
		DOLLARS
ANYTOWN BANK		
Seattle WA 98101		
For _____		
: 250250025 :	301103-86"■	1234
(Routing #)	(Account #)	(Check #)

Transit Routing Number: The first two digits of the routing number must be 01 through 12 or 21 through 32. **Do not** use a deposit slip to verify this number because it may contain internal routing numbers that are different from the routing number needed for EFT. On the sample check above, the routing number is 250250025.

Account Number: The account number can be up to 17 digits. Omit hyphens, spaces, and special symbols. On the sample check above, the account number is 30110386.



Glossary

These terms are used in this packet and in the financial industry. The terms may have additional meanings and may be used in other contexts by the National Automated Clearing House Association or other participating financial institutions.

Automated Clearing House or ACH is operated either privately or by a Federal Reserve Bank as a clearing house for the exchange of funds.

ACH credit is a transaction in which the taxpayer authorizes its bank to send funds to the Department's account.

ACH debit operates like a "pay-by-phone" transaction that authorizes the Department's bank to withdraw specific funds from the taxpayer's account and deposit them in the Department's account. Each month the taxpayer initiates and authorizes the payment amount and date of withdrawal.

Addenda Record is an ACH record type that carries supplemental data needed to identify a taxpayer or provide information concerning a payment.

Banking Day refers to any day Monday through Friday excluding Federal Reserve holidays.

CCD+ refers to the CCD Plus (Addenda) format which includes an Addenda Record with additional characters that represent payment-related information. This is used if payment is made by the ACH credit option.

Check Digit is a way to verify that the payment amount you intended to initiate is the amount you have entered during your transaction.

Electronic Funds Transfer or EFT, as defined in the statute, is the transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer or magnetic tape, so as to order, instruct, or authorize a financial institution to debit or credit an account.

Fedwire refers to the wire transfer system operated by the Federal Reserve System. A Fedwire is not an ACH transaction.

National Automated Clearing House Association or NACHA is the national governing body that monitors and operates the rules and regulations for electronic transactions.

Payment Due Date is the next banking day (Monday through Friday) after the tax return's due date. Funds must be received in the Department's bank account on or before the payment due date to be considered timely.

Glossary continued . . .

Pre-notification (prenote) is a method used to ensure that before live dollar entries are sent through an ACH, the pathway to the taxpayer's account is clear. This entry precedes the first payment entry by at least ten (10) days.

Tax Payment Addendum Convention or TXP is the format used in the free form field of the CCD+ addenda record and is designed to provide detailed information when a person chooses to initiate an ACH credit to the collecting state. This is the format approved by the Federation of Tax Administrators, the Committee of State Taxation and the National Automated Clearing House Association.

Tax Return Due Date is the 25th of each month for monthly accounts. If the 25th falls on a weekend or a holiday, the return due date becomes the next banking day. For quarterly and annual filers, please consult the EFT due date flyer or the Department's web site at <http://dor.wa.gov>.

Warehousing Your Payment allows you to initiate your payment at anytime during the month and “warehouse” it until an effective date designated by you. Warehouse means that you may set an effective date in the future. The funds are retained in your account until the date you have specified as the effective date of the transaction. The warehouse feature is available to ACH debit users and may be available to ACH credit users.

Verification Number in conjunction with an ACH debit is the number given to the taxpayer at the time the transaction is completed with the ACH Network. In conjunction with an ACH credit, it is the number given to the taxpayer by the ACH Network at the time the transaction is generated.

EFT Assistance

If there are any questions regarding this information, please contact an EFT representative at (360) 902-7170 or FAX (360) 586-0527.



<http://dor.wa.gov>

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users may call 1-800-451-7985. You may also access information on the Department's web site at <http://dor.wa.gov>.